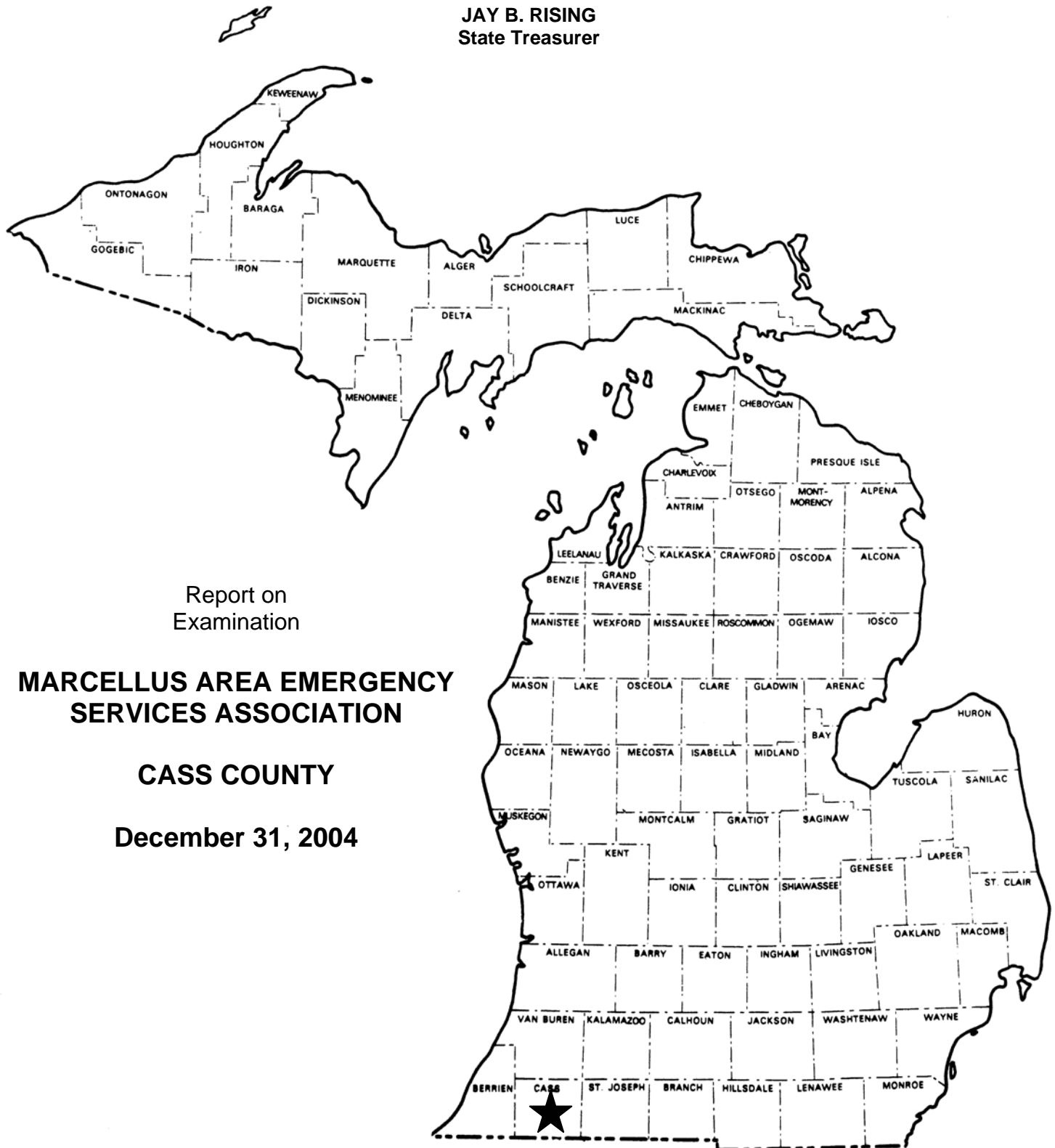


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Local Audit and Finance Division
Bureau of Local Government Services

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

BOARD MEMBERS

Sheila Boshovan
Chairperson

Larry Etter
Vice Chairperson

Judy Birt
Secretary

Mary Fisher
Treasurer

Pat Kuhnle
Trustee

James Reynolds
Trustee

APPOINTED POSITIONS

Heath Seelye
Ambulance Director

James Thomas
Fire Chief

VILLAGE OF MARCELLUS POPULATION--2000

1,193

MARCELLUS TOWNSHIP POPULATION--2000

2,712



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

October 20, 2005

Marcellus Area Emergency Services Association Board
177 East Main Street
P.O. Box 367
Marcellus, Michigan 49067

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marcellus Area Emergency Services Association (MAESA) as of and for the year ended December 31, 2004, which collectively comprise MAESA's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of MAESA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note I, MAESA adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis;" GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of January 1, 2004.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of MAESA, as of December 31, 2004 and the respective changes in financial

position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 20, 2005 on our consideration of MAESA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 3 and the Budgetary Comparisons for Major Funds are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MAESA's basic financial statements. The accompanying supplementary information and schedules as listed in the table of contents, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual statements of revenues and expenditures for the general fund and combining statements related to the fiduciary funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

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MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Marcellus Area Emergency Services Association (MAESA), as a whole, and present a longer-term view of MAESA's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report MAESA's operations in more detail than the government-wide financial statements.

The Authority as a Whole

MAESA's combined net assets decreased from a year ago as MAESA now has adopted the provisions of GASB Statement No. 34 and capital assets are included in the net asset total. The governmental activities experienced a decrease of approximately \$3,644 during the year. This was the result of MAESA trying to pay down its debt. In a condensed format, the table below shows the net assets as of the current date:

Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables presents only current year data. In future years, when prior year information is available, comparative analysis of MAESA data will be presented.

	<u>2004</u>
Current Assets	\$ 171,390
Noncurrent Assets	<u>295,610</u>
Total Assets	<u>467,000</u>
Current Liabilities	18,425
Noncurrent Liabilities	<u>136,609</u>
Total Liabilities	<u>155,034</u>
Net Assets	
Investment in Capital Assets	
Net of Related Debt	159,001
Restricted for Permanent Trust Fund	50,000
Unrestricted	<u>102,965</u>
Total Net Assets	<u>\$ 311,966</u>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date:

	<u>2004</u>
Program Revenues	
Charges for Services	\$ 49,263
Operating Grants and Contributions	136,167
Capital Grants and Contributions	<u>59,089</u>
Total Revenues	<u>244,519</u>
Program Expenses	
Public Safety	234,507
Interest Expense	<u>13,656</u>
Total Expenses	<u>248,163</u>
Change in Net Assets	<u><u>\$ (3,644)</u></u>

Governmental Activities

MAESA's total governmental revenues decreased \$43,596 due to the FEMA grant expiring. However, expenses also decreased \$31,819 as expenses were reduced to help pay off the ambulance loan early.

	<u>Governmental Activities 2003</u>	<u>Governmental Activities 2004</u>	<u>Amount Difference 2004</u>	<u>Percent Difference 2004</u>
Revenues				
Federal Grants	\$ 53,027	\$ 10,181	\$ (42,846)	-81%
Contributions From Local Units	168,118	178,365	10,247	0%
Charges for Services	56,852	49,508	(7,344)	-13%
Interest and Rentals	68	787	719	1057%
Other	<u>10,295</u>	<u>5,923</u>	<u>(4,372)</u>	<u>-42%</u>
Total Revenues	<u>288,360</u>	<u>244,764</u>	<u>(43,596)</u>	<u>-15%</u>
Expenses				
Public Safety	154,218	139,928	(14,290)	-9%
Capital Outlay	57,619	24,723	(32,896)	-57%
Debt Service	<u>87,970</u>	<u>103,337</u>	<u>15,367</u>	<u>17%</u>
Total Expenses	<u>299,807</u>	<u>267,988</u>	<u>(31,819)</u>	<u>-11%</u>
Excess of Revenues Over Expenditures	<u>(11,447)</u>	<u>(23,224)</u>	<u>(11,777)</u>	<u>103%</u>
Beginning Fund Balance	<u>186,707</u>	<u>175,260</u>	<u>(11,447)</u>	<u>-6%</u>
Ending Fund Balance	<u><u>\$ 175,260</u></u>	<u><u>\$ 152,036</u></u>	<u><u>\$ (11,777)</u></u>	<u><u>-7%</u></u>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAESA's Funds

Our analysis of MAESA's major funds is explained in Note A, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not MAESA as a whole. The board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The MAESA's major funds for 2004 includes the Operating Fund, the Capital Account, and the Permanent Trust Fund.

The Operating Fund pays for most of MAESA's public safety services. These services are partially supported by the contributions received from the participating townships and charges for services.

General Fund Budgetary Highlights

The budget this year was reduced as the FEMA grant received expired providing less revenue for capital expenses. The debt service portion was also increased as a conscious effort is being made to reduce MAESA's debt.

Capital Asset and Debt Administration

At the end of 2004, MAESA had \$295,610 invested in vehicles and equipment. In conjunction with the purchase of these assets, MAESA currently has an installment purchase agreement for a fire truck with a remaining balance of \$136,609.

Economic Factors and Next Year's Budgets and Rates

As we enter into the next year, MAESA has been approved to receive another FEMA grant to purchase a new tanker. MAESA is also hoping to continue to pay down the remaining debt owed on the rescue truck.

Contacting MAESA's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of MAESA's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
December 31, 2004

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Bank Deposits	\$ 132,188
Accounts Receivable (Net)	8,001
Due From Township	23,153
Prepaid Expenses	<u>8,048</u>
Total Current Assets	<u>171,390</u>
Noncurrent Assets	
Capital Assets--Net of Accumulated Depreciation	<u>295,610</u>
Total Noncurrent Assets	<u>295,610</u>
Total Assets	<u>467,000</u>
<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	
Accounts Payable	10,813
Due to Village	6,000
Accrued Liabilities	<u>1,612</u>
Total Current Liabilities	<u>18,425</u>
Noncurrent Liabilities	
Installment Purchase Agreements Payable--Due Within One Year	32,227
Installment Purchase Agreements Payable--Due in More Than One Year	<u>104,382</u>
Total Noncurrent Liabilities	<u>136,609</u>
Total Liabilities	<u>155,034</u>
NET ASSETS	
Investment in Capital Fixed Assets	
Net of Related Debt	159,001
Restricted for Permanent Trust Fund	50,000
Unrestricted	<u>102,965</u>
Total Net Assets	<u><u>\$ 311,966</u></u>

The Notes to Financial Statements are an integral part of this statement.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

EXHIBIT B

	<u>Governmental Activities</u>
Program Expenses	
Public Safety	\$ 234,507
Interest Expense	<u>13,656</u>
Total Program Expenses	<u>248,163</u>
Program Revenue	
Charges for Services	
Charges for Services	49,263
Operating Grants and Contributions	
Contributions From Local Units	129,457
Investment Earnings	787
Other	5,923
Capital Grants	
Federal Grants	10,181
Contributions From Local Units	<u>48,908</u>
Total Program Revenue	<u>244,519</u>
Change in Net Assets	<u>(3,644)</u>
Net Assets	
Beginning of Year	<u>315,610</u>
End of Year	<u><u>\$ 311,966</u></u>

The Notes to Financial Statements are an integral part of this statement.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

EXHIBIT C

		<u>SPECIAL REVENUE FUND</u>	<u>PERMANENT FUND</u>	Total Governmental Funds
	Operating	Capital Account	Permanent Trust	
<u>ASSETS</u>				
Bank Deposits	\$ 82,188		\$ 50,000	\$ 132,188
Accounts Receivable (Net)	8,001			8,001
Due From Townships	23,153			23,153
Prepaid Expenses	8,048			8,048
Total Assets	\$ 121,390	\$ -	\$ 50,000	\$ 171,390
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts Payable	\$ 10,813			\$ 10,813
Accrued Liabilities	1,612			1,612
Due to Village	6,000			6,000
Deferred Revenue	929			929
Total Liabilities	19,354	\$ -	\$ -	19,354
Fund Equity				
Fund Balances				
Reserved for Permanent Trust			50,000	50,000
Unreserved--Undesignated	102,036			102,036
Total Fund Equity	102,036	-	50,000	152,036
Total Liabilities and Fund Equity	\$ 121,390	\$ -	\$ 50,000	\$ 171,390
Fund Balances--Total Governmental Funds				\$ 152,036

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	295,610
Revenue that does not provide current financial resources are not reported as revenue in the funds.	929
Long-term liabilities are not due and payable in the current period and are not reported in the funds.	(136,609)
Net Assets of Governmental Activities	<u>\$ 311,966</u>

The Notes to Financial Statements are an integral part of this statement.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

EXHIBIT D

		SPECIAL REVENUE FUND	PERMANENT FUND	Total Governmental Funds
	Operating	Capital Account	Permanent Trust	
Revenues				
Federal Grants	\$ 10,181			\$ 10,181
Contributions From Local Units	129,457	\$ 48,908		178,365
Charges for Services	49,508			49,508
Interest and Rentals	412		\$ 375	787
Other Revenue	5,923			5,923
Total Revenues	195,481	48,908	375	244,764
Expenditures				
Public Safety	139,928			139,928
Capital Outlay	24,723			24,723
Debt Service				
Principal	40,773	48,908		89,681
Interest	13,656			13,656
Total Expenditures	219,080	48,908	-	267,988
Excess of Revenues Over (Under) Expenditures	(23,599)	-	375	(23,224)
Other Financing Sources (Uses)				
Interfund Transfers In	375			375
Interfund Transfers (Out)			(375)	(375)
Total Other Financing Sources (Uses)	375	-	(375)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(23,224)	-	-	(23,224)
Fund Balance--January 1, 2004	125,260	-	50,000	175,260
Fund Balance--December 31, 2004	\$ 102,036	\$ -	\$ 50,000	\$ 152,036

Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses \$ (23,224)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. (69,856)

Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end. (245)

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt). 89,681

Change in Net Assets of Governmental Activities \$ (3,644)

The Notes to Financial Statements are an integral part of this statement.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Marcellus Area Emergency Services Association (MAESA) is an authority that was established by the Village of Marcellus and Marcellus Township to provide fire protection and ambulance services according to Public Act Act 33 of 1951. MAESA is governed by a six member board consisting of three members appointed by each unit.

The accounting policies of MAESA conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by MAESA.

REPORTING ENTITY

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the village (the primary government) and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by MAESA.

When both restricted and unrestricted resources are available for use, it is MAESA's policy to use restricted resources first, then unrestricted resources as they are needed.

MAESA reports the following major governmental funds:

The General Fund is MAESA's primary operating fund. It accounts for all financial resources of MAESA, except those required to be accounted for in another fund.

The Capital Account accounts for the millage revenue that is reserved for capital purchases.

The Permanent Trust Fund accounts for the resources that are legally restricted to the extent that only earnings, and not principal, may be used for the operations of MAESA.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Bank Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Vehicles	7 years
Equipment	5 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period, or for resources that have been received but not yet earned.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities on the Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted by MAESA's board for the General Fund and Special Revenue Fund after a public hearing is held. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. MAESA monitors and amends the budget as necessary. Unexpended appropriations lapse at year end.

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

MAESA has not complied with certain provisions of Public Act 2 of 1968, as amended. Items of noncompliance are as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund--Operating		
Ambulance		
Office Supplies	\$ 1,000	\$ 1,981
Insurance	7,500	7,904
Capital Outlay	12,500	12,784
Principal Payments	30,842	40,773
Fire		
Office Supplies	1,000	1,981
Gas, Oil and Grease	1,300	1,810
Collection Fees	1,500	1,804
Runs and Meetings	6,000	8,053
Insurance	7,500	7,904

NOTE C--BANK DEPOSITS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the local unit to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities, and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits are carried at cost. Deposits of MAESA are at one bank in the name of MAESA. The investment policy adopted by the board, in accordance with Public Act 20 of 1943, has authorized investment in the instruments described in the preceding paragraphs. MAESA's deposits are in accordance with statutory authority.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE C--BANK DEPOSITS (Continued)

The risk disclosures for the Road Commission deposits, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are as follows:

<u>Deposits and Cash on Hand</u>	<u>Carrying Amount</u>	<u>Financial Institution Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured	<u>34,052</u>	<u>32,188</u>
Total	<u>\$ 134,052</u>	<u>\$ 132,188</u>

MAESA's insured deposit amount results from the authority meeting certain specified criteria under FDIC regulations.

NOTE D--ACCOUNTS RECEIVABLE

At December 31, 2004, the accounts receivable for MAESA were as follows:

	<u>Total Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Net Accounts Receivable</u>	<u>Deferred Revenue</u>
General				
Ambulance Billings Receivable	<u>\$ 16,003</u>	<u>\$ (8,002)</u>	<u>\$ 8,001</u>	<u>\$ 929</u>
Total	<u>\$ 16,003</u>	<u>\$ (8,002)</u>	<u>\$ 8,001</u>	<u>\$ 929</u>

The ambulance billings receivable, amounting to \$16,003, consists of amounts due from insurance companies and individuals for ambulance services provided for customers. MAESA's policy is to record the net estimated collectible accounts receivable which is estimated to be approximately 50% of the total accounts receivable, recognize the revenue received within 60 days of the end of the fiscal year, and defer the remaining revenue expected to be collected.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE E--TRANSFERS IN AND (OUT)

The 2004 operating transfers from Exhibit D can be summarized as follows:

	<u>Transfers In</u>		<u>Transfers (Out)</u>
General Fund	<u>\$ 375</u>	Permanent Trust	<u>\$ 375</u>
	<u>\$ 375</u>		<u>\$ 375</u>

NOTE F--CAPITAL ASSETS

Capital asset activity of the authority for the current year was as follows:

	Account Balances 01/01/04	Additions	Deductions	Account Balances 12/31/04
Capitla Assets Being Depreciated				
Equipment--Fire	\$ 267,851	\$ 11,939		\$279,790
Equipment--Ambulance	14,978	12,784		27,762
Vehicles--Fire	520,249			520,249
Vehicles--Ambulance	<u>157,773</u>			<u>157,773</u>
Total	<u>960,851</u>	<u>24,723</u>	<u>\$ -</u>	<u>985,574</u>
Less Accumlated Depreciation				
Equipment--Fire	218,950	21,278		240,228
Equipment--Ambulance	10,612	2,370		12,982
Vehicles--Fire	270,844	58,338		329,182
Vehicles--Ambulance	<u>94,979</u>	<u>12,593</u>		<u>107,572</u>
Total	<u>595,385</u>	<u>94,579</u>	<u>-</u>	<u>689,964</u>
Total Net Capital Assets	<u>\$ 365,466</u>	<u>\$ (69,856)</u>	<u>\$ -</u>	<u>\$295,610</u>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE G--LONG-TERM DEBT

The individual long-term debt and other long-term obligations of MAESA, and the changes therein, may be summarized as follows:

	<u>Balance 01/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 12/31/04</u>	<u>Due Within One Year</u>
MAESA promissory note for an installment purchase agreement for equipment, \$172,863 maturing serially through 2004 in amounts ranging from \$18,733 and \$90,204, and at an interest rate of 6.5%.	\$ 22,437	\$ (22,437)	-	
MAESA Installment Purchase Agreement dated September 24, 2001 with equal monthly installments of \$6,703 and an interest rate of 5.5%.	36,597	(36,597)	-	
MAESA promissory note for an installment purchase agreement for equipment, \$200,000 maturing serially through 2008 in amounts ranging from \$28,652 and \$38,376, and at an interest rate of 6%.	<u>167,256</u>	<u>(30,647)</u>	<u>\$136,609</u>	<u>\$ 32,227</u>
Totals	<u>\$226,290</u>	<u>\$ (89,681)</u>	<u>\$136,609</u>	<u>\$ 32,227</u>

The annual interest and principal requirements of MAESA's long-term borrowing may be summarized as follows:

Date of Issue: December 5, 2002

Amount: \$200,000

Purpose: Fire Truck and Equipment

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Annual Maturity November 4</u>	<u>Annual Interest Payments</u>	<u>Total Annual Requirements</u>
6.00%	2005	\$ 32,227	\$ 8,458	\$ 40,685
	2006	34,160	6,525	40,685
	2007	36,209	4,475	40,684
	2008	<u>34,013</u>	<u>2,309</u>	<u>36,322</u>
Total		<u>\$136,609</u>	<u>\$21,767</u>	<u>\$158,376</u>

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

NOTE H--RISK MANAGEMENT

MAESA is exposed to various risks of loss related to property loss, torts, errors and omissions, and employees injuries (workers compensation). MAESA has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE I--CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2004, MAESA implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording nonexchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
For the Year Ended December 31, 2004

EXHIBIT E

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal Grants	-	-	\$ 10,181	\$ 10,181
Contributions From Local Units	\$ 123,600	\$ 123,600	129,457	5,857
Charges for Services	50,000	50,000	49,508	(492)
Interest and Rentals	1,000	1,000	412	(588)
Other Revenue	2,000	2,000	5,923	3,923
Total Revenues	176,600	176,600	195,481	18,881
Expenditures				
Public Safety	159,194	159,194	139,928	19,266
Capital Outlay	29,000	29,000	24,723	4,277
Debt Service				
Principal	30,842	30,842	40,773	(9,931)
Interest	13,656	13,656	13,656	-
Total Expenditures	232,692	232,692	219,080	(5,654)
Excess of Revenues Over (Under) Expenditures	(56,092)	(56,092)	(23,599)	13,227
Other Financing Sources (Uses)				
Interfund Transfers In	1,000	1,000	375	(625)
Total Other Financing Sources (Uses)	1,000	1,000	375	(625)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(55,092)	(55,092)	(23,224)	31,868
Fund Balance--January 1, 2004	50,000	50,000	125,260	75,260
Fund Balance--December 31, 2004	\$ (5,092)	\$ (5,092)	\$ 102,036	\$ 107,128

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL ACCOUNT--SPECIAL REVENUE FUND
For the Year Ended December 31, 2004

EXHIBIT F

	BUDGETED AMOUNTS		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Contributions From Local Units	\$ 54,000	\$ 54,000	\$ 48,908	\$ (5,092)
Total Revenues	54,000	54,000	48,908	(5,092)
Expenditures				
Debt Service				
Principal	48,908	48,908	48,908	-
Total Expenditures	48,908	48,908	48,908	-
Excess of Revenues Over (Under) Expenditures	5,092	5,092	-	(5,092)
Fund Balance--January 1, 2004	-	-	(23,624)	(23,624)
Fund Balance--December 31, 2004	\$ 5,092	\$ 5,092	\$ (23,624)	\$ (28,716)

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended December 31, 2004

EXHIBIT G

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES</u>				
Federal Grants				
Homeland Security Grant			\$ 10,181	\$ 10,181
Total Federal Grants	\$ -	\$ -	10,181	10,181
Contributions From Local Units				
Contributions From Townships	123,600	123,600	129,457	5,857
Total Contributions From Local Units	123,600	123,600	129,457	5,857
Charges for Services				
Ambulance Department Runs	45,000	45,000	45,356	356
Fire Department Runs	5,000	5,000	4,152	(848)
Total Charges for Services	50,000	50,000	49,508	(492)
Interest				
Interest Ambulance Department	500	500	220	(280)
Interest Fire Department	500	500	192	(308)
Total Interest	1,000	1,000	412	(588)
Other Revenue				
Donations and Memorials	2,000	2,000	5,923	3,923
Total Other Revenue	2,000	2,000	5,923	3,923
Total Revenue	176,600	176,600	195,481	18,881
Other Financing Sources				
Operating Transfers In	1,000	1,000	375	(625)
Total Other Financing Sources	1,000	1,000	375	(625)
Total Revenue and Other Financing Sources	\$ 177,600	\$ 177,600	\$ 195,856	\$ 18,256

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended December 31, 2004

EXHIBIT H

	Orginal Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety				
Ambulance Department				
Wages Expense	\$ 28,162	\$ 28,162	\$ 27,497	\$ 665
Training and Mileage	3,500	3,500	3,111	389
Office Supplies	1,000	1,000	1,981	(981)
Operating Supplies	10,000	10,000	9,421	580
Gas, Oil, and Grease	1,600	1,600	1,218	382
Repairs and Maintenance	3,000	3,000	566	2,434
Collection Fees	22,000	22,000	19,410	2,590
Runs and Meetings	4,000	4,000	2,967	1,033
Telephone	3,500	3,500	1,313	2,187
Radio Expense	3,500	3,500	438	3,062
Dues and Publications	1,000	1,000	150	850
Insurance	7,500	7,500	7,904	(404)
Rent	4,000	4,000	4,000	-
Total Ambulance Department	92,762	92,762	79,975	12,787
Fire Department				
Wages Expense	5,632	5,632	5,595	37
Training and Mileage	3,000	3,000	813	2,187
Office Supplies	1,000	1,000	1,981	(981)
Operating Supplies	15,000	15,000	13,092	1,909
Gas, Oil, and Grease	1,300	1,300	1,810	(510)
Repairs and Maintenance	10,000	10,000	6,002	3,998
Collection Fees	1,500	1,500	1,804	(304)
Runs and Meetings	6,000	6,000	8,053	(2,053)
Telephone	3,250	3,250	1,480	1,770
Radio Expense	3,250	3,250	3,003	247
Dues and Publications	1,000	1,000	417	583
Insurance	7,500	7,500	7,904	(404)
Rent	8,000	8,000	8,000	-
Total Fire Department	66,432	66,432	59,953	6,479
Total Public Safety	159,194	159,194	139,928	19,266
Capital Outlay				
Ambulance Department	12,500	12,500	12,784	(284)
Fire Department	16,500	16,500	11,939	4,561
Total Capital Outlay	29,000	29,000	24,723	4,277
Debt Service				
Principal Payments	30,842	30,842	40,773	(9,931)
Interest Expense	13,656	13,656	13,656	-
Total Debt Service	44,498	44,498	54,429	(9,931)
Total Expenditures	\$ 232,692	\$ 232,692	\$ 219,080	\$ 13,612



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

October 20, 2005

Marcellus Area Emergency Services Association Board
177 East Main Street
P.O. Box 367
Marcellus, Michigan 49067

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities and each major fund of the Marcellus Area Emergency Services Association (MAESA) as of and for the year ended December 31, 2004, which collectively comprise the MAESA's basic financial statements and have issued our report thereon dated October 20, 2005. MAESA adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis;" GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of January 1, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether MAESA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, however, we did note other instances of noncompliance described in the accompanying comments and recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered MAESA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect MAESA's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Comments and Recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable condition described above to be a material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

COMMENTS AND RECOMMENDATIONS

MATERIAL INTERNAL CONTROL WEAKNESS

Management (MAESA's Board) is responsible for establishing and maintaining a system of internal controls over the accounting procedures. Our study and evaluation of internal control disclosed the following conditions that we believe to be material weaknesses:

Capital Assets

Finding 05-01

Condition: MAESA does not maintain adequate internal controls for capital assets as the capital asset list was not updated for additions or deletions.

Criteria: It is the responsibility of MAESA to update the capital asset listing for additions and deletions. Assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records.

Recommendation: We recommend that MAESA develop a property management system that includes all of the following steps:

- 1) An inventory of all capital assets owned by MAESA should be taken and included in the permanent records and updated annually.
- 2) All assets owned by MAESA should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, MAESA should keep records on all assets owned by MAESA which includes the following information.

-Date of Acquisition	-Date of Disposal (when sold or scrapped)
-Tag Number	-Salvage Value (if any)
-Description of Property	-Life of Asset
-Original Cost of Asset	-Depreciation Method of the Asset
-Location of Asset	-Accumulated Depreciation of the Asset

- 4) Capital assets that meet MAESA's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to fixed assets and provide a system of protection for the assets; it will provide an excellent record for insurance and replacement purposes as well. Governmental Accounting Standards Board (GASB) Statement No. 34 requires fixed assets to be included in the financial statements of MAESA.

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE

Our examination revealed the following instances of noncompliance with State statutes.

Preparation of the Budget

Finding 02-11

Condition: MAESA prepared its budget based on estimated revenues and expenditures for the current year and the budget was not balanced.

Criteria: MCL 141.435 states that the proposed budget is to be a balanced budget and must contain revenue and expenditure data for the most recently completed fiscal year; estimated revenues and expenditures for the current fiscal year; an estimate of the revenues and expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit; and the amount of surplus or deficit that has accumulated from the prior fiscal year, together with an estimate of the amount of surplus or deficit expected in the current year.

Directive: We direct that MAESA include the budgetary information above to be in compliance with the State statute.

Expenditures in Excess of Appropriations

Finding 03-01

Condition: Our examination of procedures used by MAESA to adopt and maintain operating budgets for MAESA's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act:

MAESA's 2004 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the line item level. As detailed below, actual 2004 expenditures exceeded the board's approved budget allocations for three general fund line-items.

During the fiscal year ended December 31, 2004, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and special revenue funds as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund--Operating			
Ambulance			
Office Supplies	\$ 1,000	\$ 1,981	\$ (981)
Insurance	7,500	7,904	(404)
Capital Outlay	12,500	12,784	(284)
Principal Payments	30,842	40,773	(9,931)
Fire			
Office Supplies	1,000	1,981	(981)
Gas, Oil and Grease	1,300	1,810	(510)
Collection Fees	1,500	1,804	(304)
Runs and Meetings	6,000	8,053	(2,053)
Insurance	7,500	7,904	(404)

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

Directive: We direct that MAESA develop budgetary control procedures for the General Fund, which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Electronic Transactions of Public Funds

Finding 05-02

Condition: The MAESA electronically transfers funds for payroll withholdings.

Criteria: According to MCL 124.303:

“A local unit shall not be a party to an ACH arrangement unless the governing body of the local unit has adopted a resolution to authorize electronic transactions and the treasurer or the ETO of the local unit has presented a written ACH policy to the governing body. The ACH policy shall include all of the following:

- (a) That an officer or employee designated by the treasurer or ETO is responsible for the local unit's ACH agreements, including payment approval, accounting, reporting, and generally for overseeing compliance with the ACH policy;
- (b) That the officer or employee responsible for disbursement of funds shall submit to the local unit documentation detailing the goods or services purchased, the cost of the goods or services, the date of the payment, and the department levels serviced by payment. This report can be contained in the electronic general ledger software system of the local unit or in a separate report to the governing body of the local unit;
- (c) A system of internal accounting controls to monitor the use of ACH transactions made by the local unit;
- (d) The approval of ACH invoices before payment;
- (e) Any other matters the treasurer or ETO considers necessary.”

Directive: We direct MAESA adopt a resolution to authorize electronic transactions and that policy be adopted that includes the above mentioned items. A sample policy is attached.

Violation of the Open Meetings Act

Finding 05-03

Condition: On February 9, 2004, MAESA held a closed meeting with no indication as the purpose of the closed session.

Criteria: MCL 15.268, Section 8(b), of the Open Meetings Act states: “A public body may meet in a closed session to consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, **if the named person requests a closed hearing**. A person requesting a closed hearing may rescind the request at any time, in which case the matter at issue shall be considered after the rescission only in open sessions.” (emphasis added)

MARCELLUS AREA EMERGENCY SERVICES ASSOCIATION

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

MCL 15.268, Section 8(e), of the Open Meetings Act states: “To consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body.”

MCL 15.267, Section 7(1), of the Open Meetings Act states, in part: “The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the meeting at which the vote is taken.”

Directive: We direct MAESA to discontinue holding closed sessions unless it is in accordance with the State law above. If a meeting is held in accordance with the Open Meetings Act, the purpose of the closed session should be clearly defined in the regular minutes of the board meeting.